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Title Managerial Interpretation and Sectoral Comparisons of Performance Management in the Third Sector

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## Introduction

The subject of performance management within the third sector is both a comparatively new area of research and also relevant to wider national debates over the role of charities in delivering services as part of the 'big society.' The austerity programme has affected funding of charities whilst local authorities and other governmental bodies have sought to get more from the third sector for the money they provide. As such it is interesting to see how third sector organisations are managing performance in order to meet these challenges.

This research project will interview third sector employers who deliver services on behalf of, or in partnership with, public sector organisations. The third sector is predominantly comprised of registered charities and voluntary groups and the sector has an established track record of providing contracted services using paid staff.

The aim of this research is to investigate the performance management culture of third sector organisations and, via interviews with key personnel, establish what systems are in place and how managers perceive their effectiveness.

The findings of this research should allow voluntary organisations to share best practice as well as drawing attention to common problems of performance management within the sector.

By conducting a thorough examination of academic and business journals related to the areas of performance management, particularly where these concern delivering services for the public good, in addition to third sector specific articles a theoretical basis for this research will be established. Performance management within the third sector is a relatively new and underdeveloped area of research and so there is inherent value in actively comparing articles relating to the public sector, and their experiences of these issues, with original research. Specific literature relating to key theories, models and empirical research will also be examined and reviewed.

This research offers an interpretivist view of the sector and will be reliant on the successful interviewing of respondents and coding of their recorded experiences. This presents a number of challenges in ensuring concrete experiences are correctly categorised to differentiate nuances and safeguard against the conflation of unique 'stories' into a broad brush approach. Additionally adjustments for selection bias, the subjectivity of experience, and sample size limitations will be considered.

In order to properly focus this research and ensure findings are consistent and proportionate the organisations selected to contribute will need to satisfy a number of criteria. This includes the presence of one, or more, service department(s) an operational budgets of six figures and with between fifteen and seventy-five staff members actively involved in service delivery. Organisations of this size are unlikely to have dedicated Human Resources departments though are sufficient in size to require regular performance management issues.

The organisations interviewed must hold Service Level Agreements, the standard 'contract' between local authorities and third sector organisations or a health services equivalent. This is important as this ensures that work is accountable to a third party and there is a requirement to provide regular accurate monitoring information. This in turn guarantees that there are stipulated targets both in terms of outputs and also related to service quality. Service quality considerations include an organisation's policies and procedures and these are typically assessed against local authority policies.

The interviews with key personnel in management roles will investigate to what extent comparatively small organisations have adopted public sector performance management practices and whether the associated problems of these, identified within the literature review, are applicable to the third sector, and what further issues, if any, occur from the use of these practices in a voluntary agency setting. However this research will also examine what the third sector does differently when managing staff performance and will offer assessments of the effectiveness of, and any negative connotations identified with, these approaches.

The collection and analysis of information which identifies approaches to performance management within these organisations, and the gathering of officer insight into restrictions, limitations and problems will therefore form the basis for study. Findings will be based on the subjective experiences of managers and so verbatim quotations will be used extensively to illustrate and illuminate points discussed. This will be considered alongside previously introduced academic literature.

The assessment and weighting of these findings will further inform a number of conclusions. These conclusions will take into account the nature of managers' experiences, the frequency or commonality of occurrences, and comparisons or contracts with established sources. Following these conclusions a number of recommendations will be presented. These recommendations will detail plans to enable third sector organisations to put into place performance management systems or techniques which best address identified issues within the constraints of funding body requirements, organisational capacity and finite resources. Cost implications of these recommendations will be provided complete with suggestions for successful implementation where applicable.

This information will prove useful in assisting third sector organisations shape policy in order to address issues arising from performance management whilst satisfying existing contract requirements. With the continuing period of austerity and an expectation that voluntary organisations must 'do more with less' it is essential for the future prosperity of the sector that organisations, via the efforts of their employees, are able to provide the type of services which meet the terms of Service Level Agreements whilst remaining consistent with each organisation's articles and wider community standing.

As stated earlier academic research concerning performance management in third sector organisations is an underdeveloped field of research. Therefore in the final section of this dissertation there will be suggestions for future research and studies which complement and expand on this work.

## Performance Management in the third sector: current thinking and practice

In order to properly inform the dissertation research questions it is essential that literature covering a range of topics connected to performance management in the third sector is reviewed. This includes, though is not limited to, methods of performance management, performance management systems within the third sector, the affect of such systems at both employee and service manager level, and the influence of public sector demands on the way in which third sector organisations deliver contracted services. Where literature is sparse and a topic remains of interest, such as examining manager or employee perspectives, a comparative view of public sector experiences will be proffered.

This literature review will not offer a history of performance management or the third sector though will highlight areas of discussion relating to organisational and cultural changes within performance management techniques and also the way third sector organisations are seen to operate.

### Performance Management Systems

What then, for the purposes of this dissertation, is meant by the term performance management? There is no doubt that performance management has come to mean a variety of things and acts as something of a 'catch all' term for addressing organisational and individual plans or techniques to meet targets, improve standards and address identified issues.

Evidently the organisations which fit the criteria stipulated in the introduction, namely an income in the six figure range, and double figures of employees, are unlikely to have the autonomy of a large voluntary organisation. This means that these organisations are dependent on satisfying Service Level Agreements or specific funding body requirements. Therefore, unlike national organisations such as Barnardo's (McEwen et al., 2010), who have the autonomy to develop their own reporting systems, smaller voluntary agencies performance management approach is either prescribed by, or tailored to, an external organisation.

This has been exacerbated by a move away from the grants given by statutory bodies at the start of the millennium to a more contract based approach and a larger reliance on public sector service level agreements. Recent studies show some 27,000 third sector organisations generate at least three quarters of their income from public contracts (Clark et al., 2009). Numerous concerns over the methodology of these service level agreements have been raised including resource intensive practices, poorly designed reporting tools, a focus on outputs as opposed to outcomes, and a tendency to use performance management for evidential and not improvement purposes (Moxham, 2010; Dacombe, 2011; Thomson, 2011).

Many of the criticisms of this approach describe the way in which these performance management systems affect the relationship between third sector organisations and those delivering services. These include restrictive reporting regimes, which may be construed as detrimental to the values and goals of the organisation (Greatbanks et al., 2010; Shaw & Allen, 2009) and can be seen as being in conflict with the individual's intrinsic motivation for working within the third sector (Cunningham, 2001). This relationship change, described by Carmel and Harlock (2008) as the move from being one team to becoming employees and managers, is a precursor to sector wide conformity in the pursuit of performance and 'professionalism.' Expanding on Carmel & Harlock's (2008) observations it can be argued that performance management in the third sector is about delivering services in the 'one right way.' Whilst this offers benefits to funders, such as the ability to compare and benchmark performance between agencies, the same benefits may not be present in the manager and employee relationship.

This area is perhaps the most interesting and to date least researched regarding performance management in the third sector. The conflicting priorities of employees, typically to service users, and managers, ensuring funding bodies are satisfied, in a comparatively low pay environment (Alatrista & Arrowsmith, 2004) offer significant challenges. With the aforementioned reliance on state contracts (Clark et al., 2009) and small service delivery teams it is expected that managers will face a variety of human resource management challenges. Logically these have the potential for both positive and negative impacts on the performance of their employees (Davenport & Gardiner, 2007).

It is important to note and critique the level of subjectivity underpinning literature concerning performance management. It is difficult to ascertain how many of the issues resulting in poor performance are a result of conflict between operational and strategic managing (Bell, 2008; Ghobadian et al., 2009) or of identified systems and process failures (Harris, 2005), or of manager shortcomings (Worrall et al. 2010), or simply due to poor staff (Daley, 2008). In truth poor performance is a result of a variety of factors (Andrews et al., 2006) and so this research will not attempt to examine the underlying reasons but will instead focus on the methods available to managers and any consequential issues there use engenders.

For this reason the term performance management will primarily relate to the strategies employed to reduce incidences of unsatisfactory performance and bring about increased productivity and desired staff behaviours. This definition is broadly based on Taylor's terminology in the CIPD textbook (2002) and is consistent with other literature (Armstrong, 2006). One can expect that the majority of techniques used will not be unique and, whilst it is apparent third sector literature is sparse, there is a substantial degree of congruence between services delivered by voluntary agencies on behalf of statutory bodies and those services public sector organisations operate themselves.

**Similarities between public and third sector performance management systems**

Examining this further a number of identified issues within the third sector also appear to be present within statutory bodies. These include a focus on compliance and processes as opposed to service improvement and overall effectiveness (McAdam et al., 2011; Anderson & Klaassen, 2012) as well as competing motivations between staff, with a public service ethos (Georgellis et al., 2011; Carpenter et al., 2012), and managers with their own 'red tape' constraints (Dormer & Gill, 2010; Chen, 2012) and also a tendency to work to satisfy the stakeholders who provide funds and critical resources ahead of the organisation's 'customers' (Ghobadian et al., 2007).

In some literature the public and third sectors, and management of employees therein, are assumed to be vastly similar (Gomes & Knowles, 1999; Brooks, 2002; Plantz et al., 1997). More recently Chen (2012) gives further information supporting the hypothesis that managers in the public and non-profit sectors are alike by virtue of a) a desire to serve the public interest, b) goal ambiguity (this being illustrated via conflicting targets regularly influenced by political factors), and c) the absence of precise performance measurement tools with which to adequately motivate employees. If this hypothesis is accepted it follows that both third and public sector managers will share and exhibit a commonality within their work.

Chen qualifies this by then examining the differences, largely based on 'bureaucratization' with the assertion that there is additional 'red tape' placed on managers in the public sector affecting decision making (Turaga & Bozeman, 2005) as well as motivation linked more to extrinsic factors such as job security, and pensions than third sector counterparts. These conclusions are largely formed from a United States perspective though provide an intuitive reflection of the United Kingdom.

With notable similarities and differences it may then be possible to infer that problems associated with performance management, and the perceptions of managers, in the public sector will largely mirror those of the third sector. However there are key differences between managers in these sectors and it is expected that this will manifest in both the absence of some concerns and the identification of alternative consequences. For this reason a review of the reported issues experienced within the public sector will better inform any subsequent comparisons.

**Associated problems within public sector performance management**

Primarily it is of benefit to clarify that performance management issues are prevalent within public sector organisations. Elling and Thompson's (2006) wide reaching survey finds that HR issues account for six of the top ten problems managers face. Within these issues performance management topics such as adequately rewarding 'outstanding' employees as well as difficulties associated with low-performing employees are present. These issues are also reflected in UK based studies (Weindling & Dimmick, 2006).

If we refer back to Chen's contention (2012) that job security is an overriding factor in the thought process of public sector managers it is worth considering how this then impacts on their ability to performance manage subordinates. Whereas conventional practice and literature suggests that a poorly performing team in the private sector necessitates action, such as the changing of the manager (Fidrmuc & Fidrmuc, 2007), this is less prevalent within the public sector where low-performers rarely 'shut down' and so poor performance is able to continue unabated (Jas & Skelcher, 2005).

It can be argued that public sector managers, working in a comparatively secure environment and with subordinates receiving union support, find it easier not to address poor performance. This rhetoric is certainly espoused by the 'right' leaning press within the UK and is supported by the experiences of HR professionals with 63% believing their public sector organisation 'turns a blind eye' to poor performance as opposed to 39% of private sector respondents (Chiumento, 2006).

Whilst it is not necessarily possible to resolve that this 'inaction' is due to 'not wanting to rock the boat' anecdotal evidence from a former NHS chief executive indicates that alternative and comparatively 'nicer' approaches to tackling poor performance are 'incredibly common' (Toft, 2010).

**Identified performance management approaches of public sector managers**

Essentially these 'alternative approaches' are similar to those detailed by Taylor (2002) and other textbooks (Armstrong, 2006). These are role redesign, teamworking, counselling, negotiation, persuasion, and reward. In addition the use of discipline can be used as a performance management technique. Examining these issues in turn will form a clearer understanding of both the theory behind performance management techniques and the realities of practical application.

How then can role redesign address performance issues? In the simplest terms this can mean substituting failing tasks for ones the employee is better at undertaking. Theoretically this is to make jobs more intrinsically motivating (Herzberg, 1966) with the result that employees will work harder and performance will thereby improve.

There is a potential 'moral hazard' here with a reward for failure of difficult or unpleasant duties being removed and potentially replaced by conversely easy or pleasant tasks. This altering of the job role relies on managers having the autonomy to amend job descriptions and the capacity within their team or department to address the substituted tasks. At the lower levels this is generally unfeasible and so a more prevalent alternative is a 'sideways' move. The ability to move employees 'sideways' is dependent on organisation being a) large enough to facilitate transfers of this kind and b) having enough synergy between job grades to ensure the new role is neither a promotion nor demotion. The idea that if a poorly performing employee is out of sight, the problem is out of mind, is rejected by workplace data (Chiumento, 2006) with employees instead looking unfavourably at the lack of action. However this is a frequent favourable 'solution' within the public sector (Toft, 2010) and is consistent with the behaviour of managers who actively seek to avoid confrontational situations (Daley, 2008). Therefore the act of redeploying failing staff can reasonably be categorised as a feature of public sector performance management.

If a 'sideways' move is unavailable a public sector manager may seek to better utilise teamworking principles to improve performance. This may be possible, where managers have a large degree of control over how tasks are completed and are both able and prepared to give the team this autonomy. Assuming public sector employees have a public service ethos (Georgellis et al., 2011; Carpenter et al., 2012) this is an attractive proposition. However it should be noted that performance will only improve where employees have the requisite skills and are appreciative of this opportunity (Taylor, 2002). These variables combined with managers own shortcomings and potential lack of autonomy as part of performance reporting requirements (McAdam et al., 2011) may temper any positive effects. The role of unions in advocating for members, and an expectation that 'work intensification' may be resisted (Green, 2001), could feasibly deter managers from enriching and enlarging subordinates roles in a way that is comparable to private sector work environments.

The use of counselling requires managers to interact with the employee as an individual person rather than an organisational resource and can be rationalised by the notion that a happy employee is a productive employee (Taylor, 2002). How this transpires in practice is slightly more difficult. For example whereas issues such as Occupational Health involvement are designed to address real issues, employee and manager perceptions may be less complimentary. It can be argued that the 'outsourcing' of issues is a way managers choose not to engage with the difficulties workers face. Similarly emotional issues require a manager that is both engaged and sufficiently able to communicate with employees. This is compounded by comparatively lower levels of trust between employees and manager than is present in other sectors, and the UK wide concern of insufficient skill and training in the act of 'managing people' (CIPD, 2010).

The way in which public sector organisations negotiate improvements with employees, at a macro level, relies on agreement with trade unions. This requires union approval and an understanding that changes benefit all (CIPD, 2010) and so may not be within a line manager's sphere of influence. However, at the local level managers are able to work within teams to negotiate changes in the way departments operate and this is an integral part of day-to-day managing. This can be relatively simple changes, such as encouraging employees to work from home to resolve productivity issues due to lack of space, or wide ranging reforms to ensure a department's future (Ghobadian et al., 2007) and weather cutbacks (Pandey, 2010).

This is achieved via the consent of all parties and so employees, who have a stronger voice, are more likely to 'buy-in' to changes (Marsden, 2007). This can become problematic where priorities change and it then follows that performance will suffer where goals are unclear (Camilleri & Heijden, 2007; Caillier, 2010; Chen, 2012). In a bureaucratic structure despite the relative abundance of regulations there is perhaps less opportunity for managers to relax or omit rules for workers. This 'indulgency pattern' (Gouldner, 1954) leads to increased goodwill from employees but is only possible where managers are able to influence these systems. In the 1980's managerial 'indulgence' is adjudged to be a contributing factor in the decline of union membership (Wright, 1996), though increased bureaucracy after this period (Taylor & Kelly, 2006; Boyle, 2011) has largely reduced public sector managers' capacity to 'indulge' employees. This then suggests that public sector managers have less autonomy to negotiate changes and subsequently deliver any agreed solutions given respective union and government stakeholder interference.

It is also possible for managers to improve performance through persuasion. This is considered to be a mutually beneficial method (Taylor, 2002), with a focus on motivating and leading employees via training and communication. Research indicates that these techniques can have a defined improvement with positive associations between training and performance management success (Haines & St-Onge, 2012). Similarly negative perceptions of line-manager communication, and a failure to persuade, reduce effectiveness (Brunetto & Farr-Wharton, 2008). Whereas the CIPD Learning and Talent Development report (2011) finds training budgets, and time devoted to training are consistent across all sectors, it also states that the prevailing impression is that public sector training budgets will reduce. This then leads to a more compliance based approach with a resultant dilution of any performance improvements. However this synergy amongst budgets implies that there should be less difference, in terms of resources, between the public and third sectors use of training as a means to improving performance.

The issue of using reward, or more accurately not being able to adequately reward outstanding performers (Weindling & Dimmock, 2006) feature regularly in line manager complaints (Elling & Thompson, 2006). Without wishing to discuss the myriad of employee reward options, it is fair to say that performance-related pay, profit share, and total reward packages have not achieved the desired effect within the public sector. Marsden and Richardson (1994) found performance related pay within the public sector showed no appreciable improvement in staff motivation, and may instead have had a demotaviting effect on employees in addition to the introduction of 'skewed' objectives (Boyle, 2011). With an operational pay cap of 1% on public sector roles financial incentivisation is unlikely to be an option available to most managers. As such reward is more likely to take the forms of praise for good work. However this carries the risk of employees perceiving managers as unfair if they feel praise is not given equitably, or praise becoming meaningless if it is perceived to be given too liberally. This then points to difficulties with the communication of the message (Brunetto & Farr-Wharton, 2008) and problems arising when poor performance occurs and praise is no longer appropriate. As such another facet of public sector performance management is the limited scope available to improve or recognise performance via employee reward.

Perhaps the most contentious, and certainly most avoided (Toft, 2010) method of improving performance is via the range of disciplinary procedures available. The public sector is regularly criticised for its reticence in using formal disciplinary action. Compared to private sector enterprises, and with figures adjusted to a per employee basis, there is only one third as many formal disciplinary cases per annum (CIPD, 2007). There are further criticism of the public sectors' speed when doing so (CIPD, 2010) and the negatively contrasting ability of statutory bodies use of discipline to achieve permanent change (Rodgers, 2010). There remain practical advantages to a formal disciplinary approach including a 'paper trail' should matters go to an employment tribunal, the perceived notion from colleagues that action is being taken, and as a 'motivator' to 'uncommitted' staff (Daley, 2008; Taylor, 2002).

Conversely, and in broad terms, disciplinary action can also lead to reduced trust, lower employee motivation, and is both time and resource intensive. However, this does not explain why the incidence rate is only a third of public sector organisations (CIPD, 2007). As such an absence or reduced occurrence of formal disciplinary cases is an evident characteristic of public sector performance management.

**Summary**

This review of relevant literature then provides a better understanding of the characteristics of public sector performance management. To recap these are a) the ability to utilise 'sideways' moves to transfer out underperforming employees; b) low levels of trust between managers and employees; c) goal ambiguity and less autonomy in agreeing or delivering goals; d) a reticence or reluctance to invoke formal disciplinary procedures; and e) an inability to adequately reward the best performing employees.

This literature review has thus far argued that performance management systems within the third sector are largely designed, or tailored to, the requirements of funding bodies (Greatbanks et al., 2010), of which statutory bodies constitute, in cash terms, the vast majority (Clark et al., 2009). The problematic nature of this relationship and its affect on employees was offered as an underlying reason for substandard performance (Shaw & Allen., 2009; Cunningham, 2001). However this is largely irrelevant given this research's focus on managerial perceptions and methods used in addressing poor performers. Given the scarcity of literature within this field (Chen, 2012) the experiences of the aforementioned funding bodies was offered given both the level of control the public sector has over performance management systems but also on account of the recorded 'public good' similarities (Carpenter et al., 2012; Georgellis et al., 2011) and ambiguous priorities of managers (Ghobadian et al., 2009; Chen, 2012). To qualify this a brief examination of the differences was offered though on balance the public sector remains the most suitable, or least objectionable, available comparator. The techniques, and identified results thereof, utilised within public sector performance management have been examined and relevant defining characteristics have been identified.

This literature review then forms a solid foundation on which the research questions can build. The rationale behind the use, and knowledge, of systems, techniques and experiences will provide the opportunity for this research to gauge the extent common shared processes of performance management influence third sector managers in their approaches and whether this manifests itself in the same or different issues than those present within the public sector.

## Research Methods

This project will concentrate on data provided via manager's own qualitative accounts of their experiences. A social-constructivist view, examining the 'meanings and experiences of different people in different situations' (Anderson, 2011), will underpin this study. A positivist approach of collecting facts and statistics in order to confirm a hypothesis is therefore at odds with the investigative nature required. There are no predictions to be confirmed and the lack of prior research, as shown in the previous chapter, means that this data will inform the first findings in this area. Whilst it may be expected that third sector managers will have some level of commonality with public sector counterparts there is no strong hypothesis as to what extent experiences will reflect existing analysis or in what ways, if any, differences will manifest.

Without a clear hypothesis it is imperative that the research acknowledges how existing researcher expectation, bias, or prejudice can influence and interpret responses. My own experiences of working within the third sector, and the literature that I have reviewed, suggest that approaches to performance management within voluntary organisations are at best underdeveloped and at worst non-existent. For those organisations who have not expressly considered how they performance manage their staff I would imagine there will be a deference to the monitoring systems provided by statutory bodies and similar issues related to managing individuals in the public sector will be present.

Evidently there is no way in which I can approach the interviews in a completely unbiased and non-preferential way. However by acknowledging these preconceptions it is easier to temper the risk of leading respondents. For these reasons interviews will be semi-structured with a focus on broad topics and general experiences and I will encourage interviewees to tell their own stories. The justification for a semi-structured interview, as opposed to in-depth interviews, is due to a desire to keep the research focused on interviewees' own experiences, and the fact that performance management, as the literature review showed, encapsulates a wide range of topics of which not all are directly relevant to the research questions. There is also a pragmatic advantage in limiting the interviews so as to fit in with other organisations time constraints.

The key themes and topics to be explored include information regarding existing performance management approaches and to what extent managers have the involvement and autonomy to introduce, review, and change these systems. The research will also approach the topic of which techniques are used in performance managing individuals and what consequences, positive and negative, these approaches engender.

I will seek to interview participants face to face and record the discussions. If respondents are not willing or able to partake in an interview under these conditions a telephone conversation, or written notes, will instead be used. If using telephone interviews it is expected these will be shorter, and the lack of non-verbal communication will make it harder to draw inferences. Similarly notes will not be as full as an audio record, and so this may result in less accurate data.

The subjective nature of qualitative data means that, as well as concerns over pre-existing researcher expectations, the subjects interviewed also have their own preconceptions, 'world-view' and bias. This then can potentially reduce the veracity and accuracy of data gathered. For example it is unlikely that managers will admit to their own shortcomings when discussing any performance management problems, and it should be expected that the information provided is that which managers are willing to share as opposed to a 'warts and all' critique of their organisation and practice. Subjectivity of their approaches and the likeliness this will be couched with comparisons to previous incumbents, or other agencies and sectors will be of less importance than actually discussing the methods employed and the results of these systems. Similarly where managers interventions have led to positive outcomes this may manifest in overly favourable testimonies. However managers' perceptions are integral to understanding what they deem to be relevant, important and where processes hinder performance. The use of verbatim quotations is the most appropriate way in which to convey managers' thoughts and allows the reader to see how the source data informs subsequent findings.

In addition to the use of quotations this research will utilise coding techniques to understand any commonality and links between managers' responses. This coding will give both a general overview, for example detailing which techniques are employed in performance management, and then a far more thorough examination to understand the intricacies of practice and perceptions of how effectively this works. Interviews will be conducted over the autumn period where contracts are less likely to be awarded or reviewed by funding bodies and so a more consistent understanding of the issues, regarding services which are neither new or in a period of 'run-down', reduces the risk of distorted perceptions of the performance management process.

Information about, and registered accounts of, charities is available to download from the website of the regulating body the Charity Commission. This, and information held on local authority websites detailing contract timetables and spending, are useful in locating appropriate respondents who satisfy the criteria of a) having a six figure income; b) a staff of force of between fifteen and seventy-five employees; and c) being in receipt of public contracts. These criteria are important in ensuring the surface challenges managers face are relatively consistent and are consistent with sector-wide budgetary restraints and exterior pressures.

However, this research is limited by the relatively small sample size and a wider range of interviews with managers within the third sector, examining smaller and larger organisations would provide a more comprehensive study. Similarly data of this kind, pre-2007 and before austerity measures may have proved a useful comparator in the way performance management is utilised. This could then answer whether managers are looking to 'do more with less' to a larger extent now or if this approach has always been prevalent within charities and other community interest groups.

## Findings & Analysis of Data

Interviews with managers within the third sector were conducted over a three week period in September 2012. Those interviewed ranged from service managers to chief officers of organisations and all fell within the broad criteria set out previously. The majority of interviews were completed via telephone though several were conducted face-to-face. A transcript of an interview is included for illustrative purposes at appendix A of this report. Interviews were conducted under the conditions of anonymity and so all names used in this chapter are pseudonyms.

The information provided will be displayed using quotes and an indication as to how many respondents raised this issue will be given where appropriate. However it should be noted that respondents were encouraged to tell their own stories and so omission of a topic should not draw any inference regarding whether or not this is present in said organisation. In order to make the findings and analysis easier to follow this chapter will be subdivided into headings relating to areas of interest and findings will be considered alongside previously reviewed literature.

### Links between recording output and managing employees

It was apparent from the interviews that very few organisations linked their management of employees to the monitoring and performance measurement systems they had in place. Only four respondents voluntarily made the link between how they recorded output or outcomes in relation to individual staff members' performance. The use of aggregated data was common giving managers a general overview of team performance. Of the managers interviewed it predominantly appears that if targets are being met at the team or organisational level there is no actively linked mechanism for ensuring all employees are performing in the way the organisation desires. As Steven the office manager of a charity for disabled people explains *'the baseline data doesn't really tell you about what individuals are doing but you can see if any projects are failing'*.

Those that were linking individual performance to the total work delivered are generally positive about this process. Methods for achieving this include using relatively high-tech computer programmes, for example those developed within a national body's framework, or sector specific software, as well as reviewing case notes, forms completed and assessing work as part of a continuous internal audit process. Deborah, the project manager of a local subset of an organisation helping struggling families, viewed this level of information as *'very effective'* and more detailed than the monitoring systems proffered by funding bodies and tied to Service Level Agreements.

There is therefore an apparent lack of formal links between Human Resources policies and the way third sector organisations measure their impact on the people and communities they help. This then allows poor performance to be hidden within high performing teams. Lisa, the Director of an organisation providing multiple services, stated new services may be commissioned *'without really knowing what the demand will be'* and so set targets may not be the best barometer of what constitutes good performance. This is consistent with previous literature (Moxham, 2010; Dacombe, 2011; Thomson, 2011) which noted significant problems with the way in which reporting tools are designed and configured.

Where managers did link organisational performance to managing individuals this was largely centred around appraisals and to a lesser extent supervision. This was discussed in positive terms with respondents finding appraisal helps *'review performance,' 'build staff up'*, and *'relay expectations.'* No real data was collected concerning the frequency of these meetings though appraisals, where specified, were completed annually. This then implies that there is a possibility of delivery problems, or missed targets, not being noticed. Where this difficulty was acknowledged managers *'wouldn't wait'* if an issue came up, though it is not clear how concerns would be identified outside of meetings by those respondents not using specialist software or resource intensive audit systems.

In some interviews there was an acknowledgement that there was no link between measuring organisational output and managing individuals. This appears to be due to two main reasons. The first was a rejection of these tools being worthwhile as Matthew, the Chief Executive of an organisation working with young homeless people, explains;

> *"I don't have a structured approach, I mainly deal with things as I see them. I wouldn't want a tick box approach or a system that told me staff were working at 78% capacity".*

The less bullish reason was one of time and resources with an acknowledgement that for some organisations, such as Sharon's relatively small charity which predominantly assists older people from a specific ethnic group, *'HR does get neglected.'* As such there is certainly scope for organisations to adopt new practices and policies though this must be intuitively convincing, represent 'good value' and require only a low cost investment.

**Value Added**

A repeated complaint about performance measurement systems, and the way in which managers' record output, is that they fail to capture all the positive work completed by the agency. Laura, the practice manager for an organisation offering specialist legal assistance, describes this thusly;

> *'Well we only get paid for what we've done. This means what we've recorded. There is a broader implication with the under-reporting of our work. There's lots of value added but unpaid for work. This is necessary because we work with vulnerable people who need support'.*

This includes 'soft' work such as preparing people to be able to receive services, raising additional funds for activities, long-term outcomes occurring beyond a funding period and where intervention does not lead to a tangible outcome. There is a juxtaposition in providing an accessible service that offers welfare or employment support to marginalised people and yet is paid only for those who fully complete the process. This may lead to employees self-selecting 'profitable' people as opposed to those with the most genuine or pressing needs. Commissioners must be mindful of 'perverse incentives' such as this when crafting contracts. 4c.p.

Respondents are broadly split between those who work to accommodate their unfunded priorities in addition to their project plans and those who are only delivering what has been contracted. For the latter this may be as a result of either good commissioning practice, or a wholesale adoption of funders' priorities (Ghobodian, 2007). The reservations Laura has regarding this are to the potential detriment of funders, third sector organisations, and those requiring help.

> *'There are wider implications because the reporting does not reflect the full content of our work. If they are allowed to pay for less than they should it makes it look like we've a budget to cut.'*

In this example it is clear the Laura is concerned that failures within the reporting system may result in an artificially high price for support, or a misunderstanding of the demand and need for the service delivered. In addition another respondent stated that there was a fear that exceeding targets might indicate too low a price for support and a reduction in funding. This is a perverse incentive that benefits no party. In this way it can be argued that this reliance on targets and the metaphorical tightrope, with negative consequences for both under and over-performance, walked by voluntary sector organisations is a barrier to improved and consistent performance (Moxham, 2010). This issue is also symptomatic of the lack of trust over half the managers surveyed have in their commissioners to actually discern the value of services and acknowledge the necessity of non-measured work undertaken.

It would appear that there is an opportunity for more sophisticated monitoring systems to take into account service user *'journeys'* and other less tangible outcomes. One respondent uses a *'recovery star'* and this then allows the organisation to assess how clients progress. Whilst this is a subjective mechanism and is more abstract than simply counting successful benefit claims tools such as this can operate concurrently assuming adequate staff time and recording capabilities.

**Monitoring Systems in Place**

With an acceptance that only two managers, both of those from organisations which are part of a federation or larger national framework, are able to use their own proprietary systems (McEwen et al, 2010) it appears that all other respondents are using the systems supplied by commissioners. The level of negotiation with commissioners regarding target setting, and including added value as listed above, differs vastly between managers.

Lisa describes some contracts as *'take it or leave it'*, and Steven has found it *'difficult agreeing with the commissioners'*. Lisa's complaint that *'commissioners do not have clear ideas of what they want'* and another service manager's description of some contracts are *'nonsensical'* explain why some of the managers interviewed find fault with current systems. Contrary to this other respondents appear to be actively involved in setting targets, and deciding which outcomes to record, both at the inception stage and during delivery. Two thirds of respondents are using case studies or additional comments as part of their monitoring to better explain the added value of, and the need and demand for, the services they deliver.

The interviews indicate it is fair to assume that small and medium third sector agencies, whilst not explicitly using the measuring tools the public sector utilise, are predominantly using monitoring systems designed by statutory bodies. This distinction is important and further analytical research of the systems employed, and not simply one sector's managers perceptions thereon, is required in order to clarify the extent of any similarities.

Referring to previous literature (Carmel & Harlock, 2008) does this form of monitoring encourage or push providers into delivering services in one appropriate way? The reasons advocating a synergised or standardised approach such as collating outputs and benchmarking across providers appear to be less prevalent given the different experiences of managers. In fact across one contract four forms of external monitoring were listed which suggests benchmarking would need to occur across a spectrum of monitoring data. Respondents overwhelmingly described monitoring as a means of satisfying commissioners rather than differentiating themselves from competitors and essentially this is viewed as a way for providers to merely show that 'something' is being done. This is typified by the following critique from a volunteering manager when describing a monitoring system - *'I don't suppose it says much about the work we do other than we are doing it!'*

However there is certainly a consensus that in order to deliver services, and keep funding, these systems must be used and they appear to form the basis of how organisations satisfy their contractual obligations. The problems contained within these systems and accusations of *'bean counting'* may explain the perceived disconnect between measuring organisational performance and assessing the contributions of individuals delivering services. A more robust reporting regime, which takes into account the complexities of casework and time taken in order to achieve outputs, would potentially provide managers with better quality information regarding performance. This would then allow organisations to shift their focus away from measurement criteria and compliance towards the use of performance management as an improvement tool (Moxham, 2010).

If an organisation's primary focus becomes delivering the contract and adhering to the contract terms there is then less incentive for managers to address performance issues where a contract has been fulfilled or is due to finish. The organisational capital involved in managing poor performers is perhaps deemed to be counterproductive in a climate of pilot and short-term projects. Respondents discussed issues relating to projects ending with Deborah explaining *'staff can lose interest in run down periods'* and Harry, manager of an organisation providing cultural activities to disadvantaged young people, stating staff *'would just go as they (contracts) ended rather than using a more formal route.'* This then suggests a culture of accepting poor performance, or of the organisation not confronting inadequate employees, and could possibly undermine subsequent managerial efforts to performance manage staff members.

**Comparisons with public sector managerial behaviours**

Following discussion about the monitoring systems in place respondents were asked how they manage employees who deliver services. All respondents assumed this to be a question relating to under-performance and the techniques they use to address this. Problems in adequately recognising and fostering high performers were mentioned in three interviews though this question was explicitly put to those who did not volunteer this information. Accepting the problems in recording individual performance and management information stated above there was a general understanding that poor performance was an issue affecting organisations and managers were obliged to address this. This paper will now compare the ways in which third sector managers administer performance management approaches with that of their public sector counterparts as per the earlier chapter's findings.

**Job Transfers and Role Redesign**

The act of redeploying failing staff was found to be an identifiable trait of public sector management. The question was raised of whether smaller organisations, with less horizontal structures, would be able to accommodate the 'sideways' moves prevalent within governmental agencies (Toft, 2010).

I did not ask this question explicitly though several respondents confirmed that underperforming employees had seen changes in their roles in order to address problems. Whilst not transferring per se Lisa stated that *'switching a cleaner's clients'* occurred following personality clashes and another respondent stated that significant changes to job duties were made in order to allow one employee respite to deal with personal problems. Interestingly both these examples did not see any permanent change in job duties or workload. The 'moral hazard' of rewarding poor performers may be present in Lisa's employee not working with *'awkward'* clients and so being able to choose who they help. However in the other example it appears this flexibility in changing tasks was due to previous good performance and an organisational desire to support and keep a previously effective employee.

Other respondents explained that role redesign had actually led to performance issues. Many organisations are attempting to retain and retrain staff where funding is lost and new contracts are taken on a *'needs must'* basis. One respondent managing advice and information services described the problem of *'older staff used to working in a set way'* and it remains clear that any organisation adopting a policy to avoid redundancies needs to also consider the issues associated with change management.

Therefore it can reasonably be concluded that role redesign and internal transfers for underperforming employees are rare occurrences within the third sector. What is more prevalent though is the enriching or intensification of roles. This is linked to both organisational pressures with Julie, a staff member of a organisation providing support to the sector, explaining that her colleagues are *'mainly trying to do more to cover those that have gone'* and also as a way of rewarding high performers. This reward can be seen by Matthew offering good performers *'the chance to project manage or get a new challenge'* or Laura's decision to train staff to *'specialise in multiple areas'* which gives them an increased status internally and improved career prospects externally.

This is only possible because managers appear to have a large degree of autonomy to organise their workforce to achieve agreed organisational goals. Unlike public sector managers, who may encounter resistance regarding 'work intensification'

(Green, 2001) there appears to be an expectation from third sector managers that staff will react positively to these changes and be motivated to complete these additional tasks. This may be because employees are attracted to the intrinsic values of the organisation and not explicitly the role they are performing. There is certainly supported by both evidence based on empirical research (Cunningham, 2001) and the anecdotal evidence collected. Abdul, the Chief Officer of a charity helping older Muslims, stated that people *'work here because they believe in what we do'*, and Matthew said *'they are here because they want to do something to help people worse off'*.

These comments infer that managers expect their employees to exhibit a high level of motivation. However Julie, who has personal experience of a change in her role described this as a blunt *'like it or lump it'* imposition. As such it is feasible that whilst those interviewed view job enrichment as a positive and effective measure this feeling may not be reciprocated by employees. This could be exacerbated if third sectors workers are less able to articulate their concerns than equivalent employees within a traditionally unionised environment. Whilst the reasons are therefore unclear it is possible to conclude that third sector managers are less prone to utilising techniques such as transfers and redesigning roles though they are more disposed to enriching or enlarging their subordinates' duties.

**Negotiating Changes**

The prevailing technique employed by managers to elicit improvements in performance was the use of negotiation. Without exception all managers intimated that it was their practice to discuss any concerns or what Abdul describes as *'shortcomings'* with the affected employee with the intention of restating expectations and working towards an agreed solution. As was noted in the review of existing research in order for this technique to work managers must have an appropriate level of autonomy in order to negotiate and approve changes as well as the authority to ensure this can then be delivered. Barriers to successful implementation of negotiation included changing priorities and goal ambiguity (Camilleri & Heijden, 2007; Caillier, 2010; Chen, 2012).

Whilst the interviews led to the assumption that third sector managers have a large degree of autonomy in directing resources to meet targets, it was also found that within these contracts managers may need to deliver both contractual and organisational 'added value' goals. The potential conflict here if organisational priorities change in response to funding pressures may explain why change management was noted as a problem by one respondent. In general negotiation was shown to be largely around ensuring that employees are aware of their managers' expectations and that there are no legitimate barriers to satisfactory performance.

The legitimacy, or not, of acceptable reasons appears to be based on managers subjective determinations as to why performance may be less than required. For example, and as discussed previously, personal problems were adjudged to be a valid reason for a temporary change of duties by one respondent and in other interviews it was clear the pressures of parenthood or caring were deemed acceptable mitigating factors. However outside of one example where a person was seemingly promoted beyond their ability and several cases where training needs were identified it seems managers sought to discuss problems and then deliver their own, rather than negotiated, solutions. In essence this means putting in place systems and monitoring with the goal of supporting the employee. Expanding on this Lisa described the way in which issues are discussed with employees;

> *'We would never go straight to disciplinary action. I think we're encouraging – certainly more carrot than stick. We talk to our staff in a reasonable way, not necessarily being stern or disciplinarian'.*

However the idea that the options available to managers are encouragement and support or discipline is a false dichotomy. In this case it appeared the only *'carrot'* on offer was that if the employee improved the *'stick'* would not be used!

This was a more extreme example though there was a clear inference from those interviewed that the responsibility for improving performance rested with the individual being managed. As such it is the employee's prerogative to personally change to meet stated standards lest further action be taken. This is typified by comments such as Steven's *'we gave her ample opportunity to improve and she chose not to'* when discussing an unsuccessful change in employee behaviour and when employees do not improve *'in spite'* of the managerial measures Abdul has put in place.

As such negotiation within the third sector cannot reasonably be described as a two way process. Whether this is due to a lack of positive options to motivate under performers, manager inability to set different goals or a fear that individual negotiations may reduce accountability is unknown. However the outcome is that whilst third sector managers appear more willing to discuss performance difficulties than their public sector equivalents this is done in a more vacuum like environment. This is largely attributable to the relative security of set targets within contract periods and the absence of bargaining settlements with trade unions at any senior or national level.

**Use of Training**

Research shows that training budgets are broadly comparable between sectors (CIPD, 2011) and training was mentioned as a specific way of improving performance in around forty percent of interviews. This training was mainly in-house and utilised techniques such as *'work-shadowing'* and *'peer'* advice and support. External training is a less prevalent option requiring further *'strategic'* synergy and in some cases senior management approval. The use of training has some crossover with job enrichment and in helping employees take on more complex and varied roles. This included the provision of recognised qualifications, including those from higher education establishments, with significant prospects of increasing participants' labour market value. As previously stated the provision of additional training is viewed positively by third sector managers though this has not been corroborated with their subordinates.

Where an employee's performance is deemed to be unsatisfactory training, or the evidence that training has been provided, is important in establishing any further action. For example there is a clear distinction between capability issues, where employees lack the requisite technical skills, and attitudinal barriers to effective performance. Encouragingly this distinction was made regularly via comments from Lisa and Steven stating *'we might provide extra training if this was the problem'* and that training has been provided or purchased *'where I've noticed issues'* respectively. From this it can be inferred that there is no blanket policy to provide training in instances of underperformance and that third sector managers are working with budgetary constraints similar to public and private counterparts.

**Formal Discipline**

If we are to accept that negotiation is used primarily to restate expectations and training only addresses those barriers that are perceived to be legitimate why then do third sector organisations persist with meeting and discussing performance issues with employees? The simplest answer is that this is a precursor to disciplinary action. Over two thirds of respondents mentioned their disciplinary procedures as an option available when performance managing staff members. Without analytical data regarding numbers of cases, employees and timescales it is impossible to properly assess the comparative frequency of formal disciplinary action. However the general inference from those interviewed is that the third sector is closer to the private sector in this respect (CIPD, 2007).

The use of meetings before formal disciplinary action broadly falls into two camps. This is those who are ensuring correct processes are followed so as appropriate disciplinary sanctions can then be applied, and those that are attempting to introduce another *'chance'* to employees so disciplinary sanctions can be avoided. It was clear that disciplinary action was not deemed to be an overly daunting prospect by the majority of interviewees who use this approach. That is not to say that it is in anyway the preferred solution of managers but more simply one which they are not hesitant to employ where improvement does not occur.

Where managers seek to avoid disciplinary action this may involve more 'informal' meetings and use of probationary periods and contracts ending to dismiss poor performers. Criticisms of using discipline to address poor performance may be due to a notion that discipline is primarily for instances of gross misconduct. For example one service supervisor explained that employees would *'have to be a real problem'* before disciplinary action was ever considered. Additionally Mark, the manager of a large service providing domestic support to disabled people and the elderly, completely rejected the use of disciplinary procedures in eliciting improved performance;

> *'We wouldn't really use a formal procedure – that's a sledgehammer to crack a nut, but obviously we wouldn't do nothing'.*

The majority of respondents however describe the use of disciplinary procedures in a process driven way with one Chief Executive stating that poorly performing staff receive a *'warning, then a formal warning, and so on'* or Matthew's more colourful *'written warning, yellow card, red card'.* This indicates a willingness to continue action through to dismissal if necessary. The positive aspect of this, aside from the removal of a low performer, appears to be in the way remaining staff view the organisation and expectations of staff. In the most successful applications this is seen to permeate the culture of the organisation with colleagues working to maintain standards or, as the manager of an organisation helping+ recently released prisoners explained *'this means they don't stand for team-mates slacking off.'*

Where respondents discussed the consequences of disciplinary action this included managers finding it *'very difficult to discuss things'* and complaints from a HR manager that within small agencies *'the same few managers have to rotate and take the disciplinary/appeal/grievance meetings again and again.'* Sharon explained that the *'fear of getting it wrong and being brought to tribunal'* also made disciplinary action a less appealing option. With some respondents it was clear that Human Resources responsibility and functions fell disproportionately to chief officers with little structured support and already burgeoning workloads. However these pressures were not given as reasons to avoid formal action.

Where those interviewed had access to support regarding performance management and disciplinary issues this was considered to be highly beneficial. Peer support, via similar agencies, to discuss problems was seen to be useful and access to a specialised HR department, either internally or via national federation structures, was considered to be *'definitely a support'* for one advice manager and *'immensely'* helpful to Deborah.

Summarising the third sector approach to discipline within performance management it is apparent that this technique is both familiar to and employed within voluntary organisations. Though there are concerns from managers ensuring the proper application of process and severity of this method it is fair to assume the sector's approach is generally more comparable to private, and not public, organisations (CIPD, 2007).

**Rewarding High Performers**

The limited options to properly recognise high performers (Weindling & Dimmock, 2006) were found to be a frequent complaint of public sector managers (Elling & Thompson, 2006). Earlier in the chapter and in academic writing (Cunningham, 2001) it was suggested that if employees believe in the charity's mission they will work hard in any role. There remains an intrinsic value within specialised client-facing roles and this is highlighted by a comment made by an advice manager who said *'whisper it but the money probably isn't that big a deal compared to the job satisfaction.'* However this in itself does not constitute the full measure of reward offered and there were several issues raised by managers regarding the adequate recognition of high performers.

Common concerns include the lack of *'tangible'* and *'financial'* elements available to reward high performers and the problems of being unable to offer pay or career progression. No person interviewed was offering any kind of performance related pay or bonus scheme. The introduction of performance related pay was being considered by two respondents though both raised valid concerns about developing what Sharon describes as *'a fair way of doing this'*. Christine, the operations manager for a national organisation's branch operations described problems of equity;

*'We have pay bands and have been looking at performance related pay though we're not convinced by it. In some roles it would seem a good fit but others are hard to measure'.*

In addition to these pragmatic problems with developing a workable system it is worth again noting the general lack of any visible motivational or performance benefits when performance related pay was introduced within the public sector (Marsden & Richardson, 1994; Boyle, 2011). Whilst this does not necessarily mean performance related pay cannot work within the third sector it can be assumed that, similar to public sector experiences, there are valid reasons for its relative scarcity.

All of the respondents who discussed reward are using praise to recognise good performance. This includes congratulating individuals in one-to-ones, larger team meetings and also via nominations for local awards and in organisation and sector specific publications. Statements such as *'the guys like it when the big bosses give them and the service praise'* made by a service manager were common amongst respondents. This meant the giving of praise was a universally accepted technique with no negative consequences such as jealousy or feelings and perceptions of unfair treatment recorded. The only downside of giving praise proffered, with exception to concerns that this was an inadequate way of really recognising high performance, concerned Mark's question of whether it was possible to single out employees who have *'gone above and beyond'* when there are also volunteers present who are *'doing lots for free.'* Several managers mentioned that commissioners did not adequately praise services with a resultant drop in morale. It is not clear to what extent this affects front-line staff and may be more symptomatic of general managerial frustrations with funders' communication.

As has been previously noted the opportunity to build one's CV by taking on additional tasks and through the provision of training was seen as an effective reward mechanism and also as a motivator to other staff members. The impression that organisations reward good performance was seen to be important and typified by over half the respondents indicating a desire to promote from within. The reasons proffered for encouraging internal promotions were given as rewarding good performance, ensuring new services had the right culture and values, encouraging others, looking after employees and cost benefits. However promotions only appear possible within organisations that are either winning new contracts, or replacing other staff members. Discussing internal prospects Deborah joked that staff *'would need to get me the sack or shoot me'* in order to progress within her organisation. This is indicative of the respondents as a whole with several having experienced redundancies and natural wastage recently. Aside from these viability concerns it is worth noting one respondent's negative experience which culminated in the demotion of a poorly performing employee. The UK wide contention of managers not being trained to 'manage' (CIPD, 2010) remains a visible issue in the promotion of 'front-line' staff to supervisory positions.

The final way in which managers discussed rewarding their employees was via increased flexibility within existing work patterns. This includes special concessions made outside of school term time, with Mathew allowing employees to leave early as *'I'll get that hour back three times with the extra work they do'* and Christine exhibiting a paternalistic desire to *'look after'* employees. This is reminiscent of Gouldner's 'indulgency pattern' (1954) indicating a large amount of manager autonomy regarding the creation and enforcement of organisational rules and systems. This flexibility was described as a positive reason for working within the sector and was compared favourably to private sector organisations where respondents had previously worked. In general however there is an opinion that the range of rewards managers are able to offer is, in Sharon's words, *'not really enough'* though it is clearly apparent that there is an aspiration to recognise and encourage good performance and desired discretionary behaviour.

## Conclusions

The findings section has shown that there is both a wide range of issues related to, and approaches within, performance management in the third sector. This chapter will now examine the findings in more detail and proffer a number of conclusions based on the interviews completed. This will broadly examine how voluntary agencies record performance management information, what these systems fail to capture, and why these methods are being employed. Following this analysis of a number of features characteristic of third sector managers' approaches will be presented with reference to public sector managerial behaviour where appropriate. Finally a brief summation of this study's limitations will be provided.

### Performance management systems

The interviews conducted highlighted the disjointed way organisational data is aggregated and individual performance is monitored. Several interviewees indicated that where organisational or service targets were being met it was unlikely that performance management issues would be noticed and consequently addressed. Several reasons may explain why this was not deemed to be a significant problem by the vast majority of affected respondents. These include the exiguous possibility that there are never under performing employees in successful teams, as well as the more probable explanation that the managers interviewed are sufficiently senior so as to not be aware of all the performance management strategies utilised by their subordinates until these become substantial concerns. A third explanation may be a lack of managerial will or capital to tackle problems though conclusions regarding the use of disciplinary action imply this is improbable.

In order to link individual performance to total deliverable work a large amount of staff resources are required to either audit output or invest in bespoke or sector specific software programmes. That these systems are not widely used relates to both a rejection by more 'hands on' managers as well as continuing fundamental resource and cost constraints. Generally systems which only cumulate individual statistics are a problem in adequately monitoring performance and therefore criticisms of existing systems are frequent. However at this time it is unlikely that managers within the sector will commit to any high cost solutions given general funding pressures and insecure and changing contracting arrangements.

**Failure to record 'value added'**

The overwhelming majority of responses showed that existing performance management and measurement systems inadequately recorded or reflected the work completed by organisations. This raised a number of significant organisational difficulties including finding ways to accommodate tasks such as preparing clients to receive services as well as occasions where good work, that does not satisfy or correspond to a narrow band of outcomes, is uncounted. Unfortunately managers within the third sector are required to perform a difficult balancing act between providing the people they help with the best possible services and satisfying funder requirements. This goal ambiguity (Camilleri & Heijden, 2007; Caillier, 2010; Chen, 2012) is apparent when both the front-line and recording responsibilities fall to the same staff member and this is further compounded by the likelihood that employees will be more motivated towards client facing duties. This challenge is made more difficult by managers' own perceptions of the usefulness and proportionately of monitoring systems.

As might be expected the linking of targets to funding is not deemed to be a satisfactory arrangement by respondents. Managers would obviously like larger budgets, less onerous reporting, and more autonomy over goals in every discipline. However the third sector tenders a further anomaly where exceeding targets brings with it the possibility of a reduction in funding. This is possible where the cost of an hour of support may reduce as efficiency savings, improved working practices or expanded use of voluntary working occur yet the amount of support hours the statutory body wishes to purchase remains static. This 'perverse' incentive is clearly not in the interests of voluntary organisations, funders, service users or any other stakeholder. Another negative connotation of this is that it enables organisations, including 'for-profit' enterprises to effectively 'game' service purchasers by exploiting these flaws. This approach, though not best for vulnerable people, is consistent with Ghobodian et al.'s observations of public sector organisations satisfying their stakeholders before their customers (2007).

Incongruities such as this have decreased some organisations' confidence in commissioners and reduced their expectations of what is considered to be fair and equitable treatment. As such it can be concluded that current systems are not 'fit for purpose' and the absence of safeguards that protect over performance as well as the lack of any framework to recognise 'value added' present a situation with no obvious winners.

**System Designers**

With the notable exceptions of the aforementioned bespoke audit systems third sector agencies have overwhelmingly adopted systems designed by statutory bodies. However the variation within agencies regarding the type of information and frequency of collection implies that there is very little evidence of external synergy or benchmarking present.

Whilst there are criticisms of these recording tools no organisation surveyed has disengaged from the monitoring process. At most organisations are supplying additional qualitative information to supplement perceived gaps within the reporting framework. Therefore commissioners can expect information in their preferred format as well as that which third sector managers deem to be the most complimentary. This then begs the question of whether there is any value to commissioners in altering this arrangement.

In answer to this there is a clear distinction between those organisations that are actively involved in agreeing, setting and reviewing targets and those that are not able to influence these variables. Where managers are invested within this process they are far more complimentary of commissioners and the monitoring requirements. This then offers a simple and effective way for those purchasing services to both engage providers and legitimatise monitoring systems.

A larger problem concerns 'run-down' stages of contracts, or continuing services on a short-term period. The interviews show that there is a significant risk that performance management issues will not be addressed in these periods and this has the potential to reduce the organisation's managerial effectiveness, employee perceptions of fairness and equitable treatment and reputations for quality.

**Third sector managerial characteristics**

Whilst the behaviour and approach of third sector managers can be seen to mirror public sector managers in some ways this is not consistent over every trait. In fact in some regards, such as discipline, the third sector may be closer to private enterprise (CIPD, 2007). This is potentially an area for further research though the mixed results of this study imply that the third sector has its own unique composition of approaches and as such exhibits a hybrid of public and private sector methods.

The findings and analysis of data chapter examined several areas from which conclusions relating to the extent of observed similarities and differences in managerial approaches can be drawn. This is achievable by comparing the previously identified characteristics of public sector managers with the qualitative data collected.

From the interviews it is clear that third sector managers retain a large degree of autonomy in organising employees. This is then a potential benefit, to the third sector, of vague output focused monitoring systems. There is no requirement to provide job descriptions or detailed information about what employees are doing, except maybe at the outset stage, and so managers have a significant amount of discretion in how they deploy staff. This is then made easier by employees who are perceived to be more welcoming of change into their job roles than their often unionised public sector equivalents. That this is universally seen as a good way of motivating third sector staff indicates a stark difference in organisational cultures.

There is however less opportunity to transfer poorly performing employees. This can be mainly attributed to the relativity small teams and shared offices used by small and medium sized voluntary agencies. This means there is no possibility of moving a 'problem' employee away from one department as per public sector managers (Toft, 2010). As such it can be concluded that it may in fact be the scope of options available that decide managerial approaches. Expanding on this, in the absence of being able to provide a 'fresh start' within the organisation, third sector employees and managers are required to be more creative, and accepting of creative solutions, when addressing performance issues.

The use of negotiation was found to be flawed within both sectors though there were differences in the underlying reasons for this. The public sector exhibits lower levels of trust between managers and employees (CIPD, 2010), and managers have a lower level of control due to changing government directives and union influence. These are not specific issues within the third sector though it can still be argued that that there is limited potential for managers to negotiate changes. The lack of positive motivators, illustrated by one respondent believing the absence of the *'stick'* was in itself a *'carrot'*, and the inability to influence commissioner set goals have limited the prospect of meaningful negotiation. Third sector managers do however show far more willingness to discuss performance issues with their employees than those at statutory bodies though this difference is compensated slightly by the absence of any overarching union negotiations.

As has been previously mentioned training budgets in the private and public sectors are broadly comparable (CIPD, 2011) and there is an expectation that austerity measures will continue to reduce money available for training. This picture of training being provided where it is necessary is applicable within the third sector where the majority of interventions offered are in-house and in several organisations senior management approval is required for all external courses. It is interesting to note that within voluntary agencies the opportunity for additional training is seen as either a reward recognising the efforts of high performers or as a precursor to more authoritarian measures for those whose work is deemed unsatisfactory. This means that those staff members where performance is not noticed, and this is clearly an inherent danger in the majority of performance management systems described, are ignored. This obviously has implications for staff members who may disengage with the organisation as well as the loss of any preventative performance management benefits.

Respondents have categorically shown that disciplinary action is regularly considered and utilised within their organisations. Without empirical data it is not possible to gauge the difference in actual disciplinary cases undertaken though the impression garnered from the interviews presents a clear contrast with public sector data. It is worth repeating that the total number of public sector formal disciplinary cases equates to only one third of the total of private business actions undertaken (CIPD, 2007). From this it is possible to infer that third sector organisations are closer to private enterprises in this regard. This can again be attributed to the relative lack of 'soft' options available to managers when addressing poor performance.

However the impact of cultural elements within third sector organisations should not be underestimated. With staff members committed to the mission and purpose of what are predominantly charities there is an expectation by managers and colleagues that everyone must perform. This is more keenly felt in an environment of reducing incomes and where organisations are attempting to become more 'lean' in order to protect front line provisions. In the most extreme example one manager likened taking payment for ten hours work and providing only seven as *'stealing from the charity'* and this organisational culture both positively tempers unsatisfactory behaviour within teams whilst also empowering managers via staff's implied consent and approval of appropriate corrective action.

The research shows that recognising and rewarding high performers is considered to be a key issue within the sector. Interviewees had limited reward options available and the relatively small size of their organisations actively restricted opportunities for promotion and professional development in spite of managerial predisposition towards these methods. The use of job enrichment and additional responsibility in conjunction with the high levels of trust exhibited proved to be the most popular reward techniques.

Again it can be argued that the relative lack of options available to managers, particularly around financial incentive and rewards, demarcates the approaches taken. These boundaries encourage managers to utilise low cost options such as a liberal use of praise and increased levels of trust leading to an 'indulgency' of high performing staff (Gouldner, 1954). As such one can conclude that unlike statutory bodies which have the clear hierarchical structures that encourage and enable a series of promotions third sector organisations seek to reward employees via increased job and organisational satisfaction. That this is not seen as sufficient suggests that managers are underestimating both the intrinsic motivational factors (Herzberg, 1966) and the reasons people take comparatively lower-paid jobs within voluntary agencies (Alatrista & Arrowsmith, 2004).

**Limitations**

Within this research project I have been able to draw a number of conclusions based on both the literature examined and interviews conducted with managers within the third sector. However there are several limitations to this research. The first of these is the relatively narrow geographical spread with all respondents representing organisations based in counties north of London and south of Leicestershire. This increases the possibility that interviewees have the same commissioners and so repeated problems may be 'skewed' by one statutory department's practices and are thereby not necessarily endemic throughout the sector.

Another limitation concerns the public and third sector comparisons. As the conclusions have shown it is possible to argue that the decisions managers have taken are resultantly influenced by their own organisational size and capacity. As such a more effective comparator may have been a large voluntary sector organisation using a hierarchical structure such as Age UK or Barnado's. Conversely comparisons could have also been made with specific smaller sections of statutory bodies.

A further identified limitation relates to the methods used in conducting this research. It was clear that the vast majority of applicants had extensive experience of their organisations and the sector and so, whereas existing research (CIPD, 2007; CIPD, 2010; CIPD, 2011) has clear timescales and corresponds to specific periods, managers' experiences and their interpretation will likely have covered a much longer duration. This is most obviously shown where conclusions drawn regarding attitudes towards disciplinary action compare empirical time limited evidence with undated managerial perceptions.

Finally it is worth noting that respondents did not describe their practices or approaches by using public sector comparisons to any salient degree. This suggests that whilst some literature implies a high level of similarity between the sectors (Gomes & Knowles, 1999; Brooks, 1992; Plantz et al., 1997) this view is not shared by third sector managers. Therefore I contend that the difference between the sectors, and of respective managerial approaches, is more conspicuous than existing research has suggested. The third sector has unique issues, methods and identities which mean that, even with public sector systems, performance management is conducted differently and consequently produces a variety of divergent results. Though unqualified by empirical data the managerial perceptions recorded strongly imply this provides more successful outcomes than those observed within the public sector.

## Recommendations

A number of issues such as managers' ability to effectively provide services, motivate their staff and satisfy external funding criteria have already been identified. It is also expected that third sector organisations will face significant budgetary and resource constraints and so all cost implications detailed in these recommendations will include illustrative prices.

### Technological Solutions

The first recommendation is for third sector organisations to explore the possibility of utilizing software programmes that allow managers to assess the contributions of individuals within services. The benefits of this approach include the provision of a framework which will enable managers to evaluate individual staff members' work and associated outcomes in real-time. Additionally this will require less managerial time and is not as reactionary as current approaches whereby problems are only addressed in supervision sessions potentially weeks after the event. Computer programmes which tie all interventions to one service user will also allow managers to understand and show commissioners the progress made by clients. Unless there is extensive consultation and continuous alterations made to the software it is impossible to guarantee all 'value added' will be recorded. However the introduction of a technological framework should still markedly improve the volume and overall recording of key performance indicators.

There are evidently a huge variety of software solutions available and organisations would be best advised to request demonstrations of any system. However within third sector organisations of the size interviewed it is not feasible that there would be sufficient officer time or indeed technical knowledge to guarantee the correct procurement decision will be made. With this in mind I would recommend that voluntary organisations considering this do one of the following;

The first option is to attempt to 'piggyback' larger organisations' proprietary software. Essentially numerous major third sector organisations have developed expensive bespoke systems (McEwen et al., 2010) which measure individual staff performance and provide an evidential base which subsequently generates data that reflects key performance priorities. The logic behind this is that it may be possible to purchase licenses, or a copy, of software already tailored to a specific section of the third sector such as homelessness or advice services. The viability of this will depend largely on the degree national organisations protect their own systems, the level of competition with the smaller agency, and whether a mutually agreeable price can be negotiated. For example the Charitylog website (Charitylog, 2012) advertises a product developed for information and advice services, which is used by Age UK and other older people organisations, for the price of £998.

The second option is to purchase 'off the shelf' software. There are a wide range of products available which have been designed for the third sector and a list of twenty two of these is included as appendix B. Amongst so many different products there is substantial scope for differing options and pricing structures. AIMS provides a free 'entry-level' package (LASA, 2012) though generally prices for ten users range from around £999 per year (Social Impact Tracker, 2012) to £2,850 per year (AdvicePro, 2011). Pricing information is not readily available from a number of suppliers and the true cost once any installation, training and support charges are added may be significantly higher.

Due to these pricing issues it may be that many third sector organisations do not think a software programme presents good enough value for money. Similarly some organisations may, as part of a contract, already be using a software programme which collects this information but does not provide performance management information, such as the Supporting People Cross system (St Andrews Centre for Housing Research, 2012) and so may not want staff to have to repeatedly enter the same data. For these organisations I still believe there is some value in a system which records each staff members output though less sophisticated programmes or options will likely replicate some existing problems of accurately assessing individual contributions and documenting 'value added'. An addition benefit of the technological approach and a shared system is that peers are able to view and learn from colleagues work as well as offering advice where they note problems. Finally the higher visibility of monitoring strengthens the 'panopticon' principle as the employee's perception of their being observed increases (Bentham, 1995).

There are of course risks concerned with technological solutions such as rapidly escalating costs and systems becoming obsolete where organisations' services or commissioners' requirements change. Respondents intimated that data entry and the introduction of new systems had previously proved difficult and so I would recommend that if pursuing this option organisations make use of these systems compulsory for all relevant staff. Regrettably this then has the potential to increase conflict where managers are relaxing rules and 'indulging' staff members though this conformity is essential in order to acquire the benefits of these programmes.

Limitations of the software, and specifically the information they do not record or are unable to quantify, such as the difficulty of interventions, may give an unreflective view of an employee's work. Therefore this advocation of software systems is very much in addition to, and as part of, a package of performance management approaches that still includes supervision, observation and the assessment of legitimate barriers, and is not proposed as a 'stand-alone' replacement or solution.

**Added value, contracts and performance safeguards**

The issue of recording 'value added' and justifying this funding for unreported work remains a key difficulty. Whilst the introduction of technological systems can build the evidence base this does not fully address the concerns of managers that commissioners do not properly understand why the organisation does what it does and why certain practices are adopted. For these reasons I recommend that organisations seek to integrate the existing qualitative data they collect into standardised monitoring procedures.

This can be achieved through the introduction of 'recovery stars' or any other scaleable measuring system. Categories such as preparedness and confidence could provide a justification for the time spent assisting vulnerable people as they become ready to receive services. It is likely that, with case studies and customer satisfaction surveys, organisations are already anecdotally recording this information and this is predominantly a way of formalising these interactions. Periodic reviews will enable managers to adjudge what progress is being made and help identify any issues or barriers to achieving agreed outcomes. Given public sector monitoring expectations this would supplement and not replace existing recording obligations. However this presents an opportunity for third sector organisations to develop their own frameworks with commissioners which quantify the effects and not just results of services.

This method of recording information is already used by some organisations in the third sector and may be particularly useful to organisations attempting to find service users employment given the long 'drag' time between work and payment (NCVO, 2012). This presents opportunities to design organisation specific categories and also develop interesting and appealing ways of presenting this information. As was noted in the interviews one respondent uses a star, with each category representing a point on a one to ten scale. This information could also be presented graphically as a 'wagon-wheel', 'web', or line chart. More aesthetically pleasing forms of monitoring information could in turn potentially be used to motivate and inform service users of their personal progress whilst simultaneously promoting the voluntary agency's work to prospective funders.

Short-term contracts and 'run-down' periods have been shown to reduce employee motivation and undermine the performance management culture within organisations. Whilst there is little the third sector can do to influence commissioners, save making the positive case for increased stability and detailing the additional start-up costs required for pilot and short-term projects, there are several measures which could be utilised in these situations to improve performance management processes.

These include a proper application of performance management procedures regardless of the stage of the contract cycle and increased communication with affected employees and commissioners. In the case of the latter it is imperative managers do not let staff members think their service has been forgotten where funding intentions are not forthcoming and that they understand that a lowering of quality in a 'run-down' period restricts the organisations and their prospects of securing alternative funding or employment. This carries a resource implication though in my opinion this is thoroughly outweighed by the benefits of maintaining the organisation's reputation and the re-intimation to staff that poor performance will not be tolerated.

It is also recommended that organisations clarify with funding bodies if there are any negative consequences related to over performance. The 'perverse incentive' to meet targets and then stop does not assist anyone and so, just as there are contractual mechanisms to address under performance so should there be safeguards and guarantees so as those exceeding targets do not incur any penalties. Linking performance to 'value for money' ratings rather than hourly prices may require a more subjective approach from commissioners though it is hoped that the prospect of increasingly favourable outcomes more than offsets this imposition.

## Techniques for performance managing third sector employees

The third sector managers interviewed offered a number of creative solutions to performance management issues and this should be encouraged. The mixed methods employed appear to be generally working and as such I am advocating an evolutionary and not revolutionary approach. However with changing funding circumstances and a continual shift towards contracts as opposed to grants from statutory bodies it is vital organisations and their employees are best equipped to provide good quality and strategically relevant services.

It is recommended that the practices of job enrichment and increased individual accountability are adopted by voluntary organisations. The benefits of job enrichment as a motivational factor (Herzberg, 1966) and new challenges being a reward for high performers have already been discussed and remain valid. Additionally, widening the scope of each employee's role across the organisation should result in an increasingly flexible workforce. Staff who are proficient in multiple areas, and are used to changes in their duties, should also prove easier to redeploy in redundancy situations and be less resistant to other instances of change management.

I contend that it is essential that any extra tasks or duties make the individual worker more accountable. In the first instance this may mean employees taking a larger amount of the administrative function connected to their own work. Whilst in some organisations a shared administrator between multiple services makes good fiscal sense and allows front-line employees to concentrate of service delivery this becomes less viable as contracts are reduced or not renewed. In an environment of austerity a reduction of service funding implies a reduction in operations and paperwork. However in spite of this it remains probable that voluntary agencies will still endeavour to deliver services, even if unfunded, in their area of work. As such a workforce that is adept at both delivering and reporting enables organisations to remain lean even where economies of scale no longer apply. In my opinion the loss of efficiencies created by specialist administrative and front-line staff is compensated by a more flexible workforce able to react faster to changes in funding and exploit any new opportunities that arise. Accountability can also be given in allowing staff to lead and report on new strategies and initiatives. Examples of this would include plans to promote services amongst hard to reach or marginalised groups, increasing partnership working and streamlining referral pathways.

There are evidently risks that work intensification will lead to disgruntled staff members and that employees, with devolved responsibility, may make decisions contrary to manager expectations. Addressing the former it is key that managers properly communicate the reasons why additional duties are being given and that employees 'buy-in' to these explanations. Given current financial difficulties within the sector it is expected that employees will be more prepared to be flexible to enable the organisation to remain competitive and avoid redundancies. However, whilst the present economic conditions do provide a driver for change, it is implausible that employees will effectively and permanently change their behaviour solely on account of these pressures. As such managers must accept that gaining agreement, and working with employees, are far more effective methods of increasing job roles and instigating lasting change management. Devolving decision making responsibility may be more difficult, as highlighted by some respondents comments regarding the need for senior managerial approval when purchasing training. However by setting clear parameters of what is required and by supervising project plans at the inception stage any risks can be greatly tempered.

**Rewarding high performers**

There are inherent challenges in recognising and effectively rewarding high performing employees. A number of measures were already in place and, although several further suggestions were made, managers generally found current options to be insufficient. This was exacerbated by both budgetary pressures and the structural difficulties contained in developing a fair, equitable and commensurate reward system.

Unfortunately there is no straightforward way to solve this quandary. I recommend that managers adopt the same creative approaches used to address unsatisfactory performance and utilise a variety of low-cost options. These include the use of praise, both informally and through local awards which also help promote services, and, within reason, the continued 'indulgencies' of allowing workers more flexible conditions.

I would also encourage managers to discuss with staff what they want and attempt to tailor rewards to their suggestions where appropriate. For example one respondent discussed how staff members looked to bring in additional funding, outside of their job roles, for trips and activities for the young people they helped and these events were seen to be enjoyable. Additional provision, outside of contracts, for service users may be a more effective motivator than monetary rewards which are likely to be modest and difficult to administer. At the team level I would recommend managers look to offer additional social activities such as barbecues or meals out. A low cost alternative could include simply visiting other organisational projects to see how service users are being helped. For some organisations with disparate teams it may be very difficult to organise any social events and so the provision of better refreshments at staff meetings or site visits might be a suitable alternative.

Aside from these methods, and with deference to employee wishes, it is recommended that third sector organisations look to enable employees to train for and gain new qualifications where possible. Several organisations are already doing this and it appears to both be an effective way of retaining a high performer and motivating colleagues. If a contractual agreement is sought in return for training this also ties the relevant employee to the organisation for a set time afterwards lest they incur financial penalties related to the cost of the course. Where training fits organisational priorities it is also hoped that this will benefit the voluntary organisation though this should not be the overriding concern. Evidently there should be some degree of synergy between qualifications and organisational aims though there remain mutual benefits in a host of wider managerial and business related courses.

## Shared services and Human Resources knowledge

The final recommendation is made with the intention of helping third sector organisations increase their knowledge and understanding of Human Resources policies and procedures. The findings highlighted both the uneven way human resources issues fell to senior managers and also the positive way that those who receive external support, either through peers or within a national structure, viewed additional input. Given existing organisational pressures it is neither feasible nor proportional to employ dedicated HR staff and this is contrary to earlier recommendations around increasing individual accountability. Instead I propose that organisations seek to align themselves with other businesses or people that are able to provide this support and technical knowledge.

Obtaining specialist support can be achieved in a number of ways. Given the high probability that the organisations already delivering multiple services will already have some policy frameworks it is unlikely that local capacity building and infrastructure groups will be able to provide wide ranging HR support. Voluntary agencies should therefore approach local or larger companies and ask if they would be interested in volunteering resources, or advertising the need for volunteer specialists within their trained workforce. It may be more appropriate to ask professional to consider a Trustee role where HR has been identified as an area for development.

Another method involves organisations sharing best practice with other voluntary agencies. Whilst some organisations might seek to take a protectionist approach this is less likely to be an issue where client groups and geographical boundaries do not overlap. Chief Officers may also find it beneficial to utilise peer support around other issues affecting the sector and this provides the potential for managerial groups as well as new networking and partnership opportunities. In the most developed way organisations may consider sharing HR resources though this should only be really considered where formal partnership agreements, such as joint contract arrangements and aligned practices, are already in place.

## Future Research

As was stated within the introduction performance management in the third sector is a relatively sparse area of research. Whilst this dissertation offers an insight into the qualitative perceptions of managers there are a number of identified limitations which further studies could address. The conclusions noted the merits of finding specific comparators within either the public or private sector as opposed to the method employed of evaluating individual experiences against holistic interpretations of sectoral issues. Concerns regarding the narrow geographical spread of participants and the comparison of empirical evidence and qualitative data remain valid.

Major areas I feel it would be beneficial to continue researching include examining a smaller set of organisations, or a single organisation, in more detail. There was an undercurrent, from those in less senior management positions, of dissatisfaction with some aspects of the ways in which they were personally performance managed. It would be interesting to find out the experiences of their subordinates in order to gain a fuller picture of how performance management techniques work for every relevant party. This could be done by conducting interviews with employees and also via observations of managerial interactions.

I have recommended that voluntary organisations examine the use of technology to better record management information. With this in mind further investigation of the benefits of this approach, based on evaluating the software capabilities as well as manager impressions, may prove constructive in assessing the impact this can have on both the areas of performance management and also wider organisation performance. Whilst it may not be possible to successfully link organisational achievements to computer programmes per se firm conclusions regarding resource implications, such as saved time and differences in outputs generated, can be quantified.

A further area where this research can be developed is in examining the ways organisational performance data is used to inform the commissioning decision making process and in assessing how valuable the current monitoring arrangements are to public sector bodies. With movement towards payment by results within both the public and third sector a greater understanding of the identified flaws in narrow measurement criteria, and the potential impact the loss of 'added value' provided by voluntary agencies might incur, could be assessed.

The final area where this study can inform future research is in measuring the impact the use of formal HR policies and procedures have within voluntary agencies. Of the managers interviewed there was evidence of both a predominately process driven approach to performance management and also a far more flexible arrangement, rejecting formality, in the manager-employee relationship. Within the current context it is clear that voluntary agencies expect reductions in funding and it is fair to assume not every organisation will be able to continue providing services. This then may necessitate a higher level of formal procedures, for example in dealing with redundancies, and observations can be made on the way this changes the 'indulgency' dynamic. Similarly organisations that exhibit very formal structures may require a more flexible and less regulated workforce in austere times. These juxtapositions could provide a unique insight into enforced change management of, and the relevant preparatory benefits of contrasting approaches to, HR processes within the third sector.

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## Appendix A – Sample Transcript

### Interview – Lisa (Director) 19/9/12 1.30pm

(Introduction thanking Lisa for agreeing to participate and an explanation of how data will be used and stored – brief explanation of the desire to hear her experiences and 'stories.')

**DM: What performance management or measurement systems do you use?**

L: We have a range of contracts all of which have set targets. This workload is then split between team members. We currently have a lot of projects but only two managers who have to keep everything flowing. Internally we have regular supervision of our staff, and we report on a mainly quarterly basis. We never miss our targets!

**DM: Who decides the targets?**

L: We agree targets at the contract outset. As I said we have lots of schemes and the targets tend to be what managers think is achievable and reasonable. Once a contract is set up we have less legroom and on some contracts it's pretty much 'take it or leave it' – we then have to decide whether the contract is worth doing.

On some contracts commissioners do not have clear ideas of what they want. Some are very output heavy and this may not be the same as what they want the service to achieve overall, others may be commissioned to meet a need without really knowing what the demand will be.

High outputs don't necessary mean a high quality service, and often we need to try and work out what is necessary to the success of the project and what is more objective.

**DM: How do you address performance issues?**

L: A lot of this is done through supervision, for example we have a supervisor who has doubled targets, and always goes the extra mile and we encourage this commitment to delivering good services.

We have our own internal recording system which does a lot of counting for us, and provides the information funders' need. This is bespoke to the sector, but not to us. The software developer is very helpful and my managers can contact him. This system lets us know how many people each staff member is seeing, time spent at appointments and gives better demographic information.

**DM: How is the information entered onto this recording system?**

L: Staff load in their own information. This means that their case-notes are visible to colleagues and so there is an element of peer review. This system is good for supervision and is useful if a problem or conflict arises when reviewing. Supervisors can analyse this data though I'm not sure how often this would be done.

We obviously have to trust our staff are honest and what they write is a true reflection of what they are actually doing. I suppose it would become apparent if they were not attending appointments or doing what they should be.

**DM: Do you have experience of any performance management issues?**

L: When staff aren't performing well I want their supervisors to 'coach' them and help them achieve the required standards. We would never go straight to disciplinary action. I think we're encouraging – certainly more carrot than stick. We talk to our staff in a reasonable way, not necessarily being stern or disciplinarian.

We look to see if there are any reasons and if we can plan work differently. Our staff are clear that there is an expectation of quality – I think that we scrutinize work with service users well.

Sometimes a service user will make a comment or complaint and we'll then investigate. Supervisors and managers get feedback from clients and can see if this is an isolated incident or a wider problem.

On the pay front staff obviously work hard and want to advance and improve but this isn't always possible within a small team.

**DM: What options are available to managers?**

L: When a problem is noted we'll usually increase the monitoring and hopefully nip things in the bud.

**DM: What if this doesn't have the desired effect?**

L: We would then take disciplinary action. Sometimes we might provide extra training, if this was the problem. Managers do in-house training but we'll pay for outside though I have to approve this.

Sometimes we'll change a role slightly. Generally speaking there is a degree of flexibility in what we do and managers can make changes. This might be switching a cleaners clients if there is a personality clash. Having a large team means we can normally find staff that get on and don't mind our more awkward clients! This is done on quite a small scale and the job itself doesn't change – just the person/location.

Where someone is just unable to do the job we have to be prepared for disciplinary action. However this is our last resort and we'd prefer amicable solutions and this is what happens in the vast majority of performance problems.

**DM: How do you think your staff view performance management?**

L: I would think that staff understand the reasons behind our decisions and that we can't be poor, or deliver rubbish. I think people know that we're not afraid to tackle issues and take action.

I want services that always improve, and believe what we do is, at worst, fit for purpose. We get good value out of our workforce and, in these tough times, I think there is faith in management and a general optimism. My managers expect and get good performances without being harsh or unfair.

## Appendix B – Third Sector Software Programmes

Information taken from http://www.itforcharities.co.uk/clientsw.htm (Accessed 19 October 2012);

| Company | Product | Website | Tel no. |
|---|---|---|---|
| Advice UK | AdvicePro | www.advicepro.org.uk | 020 7469 5702 |
| Athena Software | Penelope Client Management Software | www.athena-software.co.uk | 020 3286 9683 |
| Blue Door Software | Caseworker Connect | www.caseworkerconnect.co.uk | 08700 601 865 |
| CCWorks | Apricot, ODM | www.ccworks.co.uk | 0845 612 3577 |
| CharityLog | CharityLog | www.charitylog.co.uk | 01989 763691 |
| CHL Systems | CES System | www.chl-systems.co.uk | 0161 237 1872 |
| Cúnamh ICT | Social Impact Tracker | www.socialimpacttracker.org | 02871 308166 |
| FreshwindsIT | Case Colleague | www.casecolleague.co.uk | 0121 415 6715 |
| The Gallery Partnership | ODM, Apricot | www.gallerypartnership.co.uk/case-management/ | 020 7096 2800 |
| Homeless Link | In-Form | www.homelesslink.org.uk | 020 7840 4443 |
| IIZUKA Software | Case Manager | www.iizuka.co.uk | 0121 212 2030 |
| ITsorted | contactLINK | www.ITsorted.org.uk | 01364 649290 |
| Lamplight Database Systems | Lamplight | www.lamplightdb.co.uk | 020 7558 8793 |
| LASA | AIMS | www.lasa.org.uk/aims/ | 020 7377 2806 |
| Mosaic Network | GEMS | www.mosaic-network.com | 020 8525 4571 |
| Pulsion Technology | Caman Case Management software | www.pulsion.co.uk | 0141 352 2280 |
| RedBlack Software | AEGIS software for Age Concern (Age UK) organisations | www.redblacksoftware.co.uk/aegis.aspx | 01904 622888 |

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| Strident Software Development | Minder | www.minder-software.co.uk | 01473 835282 |
| Substance | Views | www.views.coop | 0161 244 5418 |
| tmwk | spa | www.tmwk.co.uk | 020 7359 7832 |
| VC Connect | VC Connect | www.vcconnect.org.uk | 0114 253 6611 |
| Vera Solutions | Salesforce-based solutions | www.verasolutions.org | |